



## **FRAUD RISK ASSESSMENT 2016/17**

### **BACKGROUND**

Fraud in Local Government is estimated to cost around £2.1bn per year, this is money that could be spent on the provision of services. The Council has a duty to ensure it protects public money from the risk of fraud. It is impossible to eliminate all fraud, but the council must have a sufficiently robust control framework in place to reduce fraud risks.

The control framework should be reviewed on an ongoing basis, the findings of this review can be used to support the on-going management of fraud risk.

This review is based on good practice identified in the Local Government Fraud Strategy. It includes an assessment on how well the council acknowledges the risk of fraud and how it prevents, detects and pursues monies or assets obtained fraudulently. It also considers how services that are more susceptible to the risk of fraud high risk services manage that risk.

## Conclusions

There is reasonable assurance that the council has an appropriate control framework in place to mitigate the risk of fraud. It is impossible to eliminate the risk completely and there are areas where the control framework could be improved, these are:

- Further fraud awareness training should be provided to employees, to ensure they are aware of the type of fraud risks that exist within their own service area.
- Capita have not been able to follow up National Fraud Initiative matches in a timely manner during the year. In particular data relating to rising 18's, as these matches may have implications to those that have applied for a Single Person Discount.
- There is no dedicated fraud resource within the council. Whilst it is accepted that should a fraud be identified during the year it will be investigated, the lack of a dedicated resource does mean that there is very little pro-active work carried out.
- As the council continues its use of outsourcing, management should ensure that the contractors that the council work with sign up to the principles of both the Whistleblowing, and Anti-Fraud and Corruption Policies.

It is noted that the number of fraud cases is low, however fraud is on the increase nationally and dedicated fraud resources in the public sector is reducing. To help resolve this issue the Council needs to consider better joint working and sharing of information with other local authorities and agencies. It also needs to make sure it takes opportunities increase the awareness of fraud risk amongst all staff, as fraud prevention is not the sole remit of Internal Audit it lies with all employees.

## FRAUD RISK ASSESSMENT 2016/17

I. ACKNOWLEDGE THE RISK OF FRAUD						
I.1	Does the Council have a zero tolerance policy towards fraud?	The Council's Anti-Fraud and Corruption Policy clearly states that there is a zero tolerance of fraud. The policy was reviewed in March 2016.				
I.2	Is the council aware of the fraud risk threats that it is exposed to?	<p>The council uses the following to identify potential fraud risks:</p> <p>Annual Fraud Risk Assessment</p> <p>Fraud is included in a quarterly review of risk registers. This is discussed with Heads of Service and key managers.</p> <p>A summary of the risk registers are reported to the</p>	<p>Consider further fraud awareness training or the use of an online training module for fraud. This would also assist in creating an anti-fraud culture.</p> <p>The council should also ensure that contractors it works with sign up to both Whistleblowing and Anti-Fraud and Corruption Policies. In particular Capita and Vinci.</p>	<p>Audit Manager</p> <p>November 2016</p>		

		<p>Audit Committee each quarter.</p> <p>Internal Audit consider the risk of fraud as part of each audit review carried out.</p>			
I.3	Has the council allocated sufficient resource to tackle fraud risks and investigate suspected and known fraud?	<p>There is no dedicated fraud resource.</p> <p>Capita are contracted to follow up on NFI Matches that relate to Housing Benefits and Council Tax.</p> <p>Housing Benefit Fraud has now been passed to the DWP. This would include some of the work for NFI Matches.</p>	<p>There is a backlog of matches that need to be reviewed. The main set of matches where the backlog exists in on Rising 18's. Capita have been reminded to look at these matches.</p> <p>An agreement has been reached with Basingstoke and Deane to enhance the existing fraud resource.</p>	<p>Audit Manager</p> <p>July 2016</p>	
I.4	Does the council keep a record of all suspected and known fraud?	All known frauds are recorded.			

I.5	Does the council review controls in place in areas that are more vulnerable to the risk of fraud?	Services and processes that are more vulnerable to the risk of fraud are Housing Benefits, Payroll and Accounts Payable. Controls in place for each of these services are reviewed each year by Internal Audit the review will take into account the risk of fraud.			
I.6	Is a Fraud Response Plan in place to ensure investigations are carried out in a consistent manner and provides clear guidance on how an investigation should be conducted?	<p>A Fraud Response Plan is in place for corporate frauds. The plan is held by the Audit Manager and should ensure there is a consistent approach to fraud investigations. Fraud Response Plan reviewed in May 2016.</p> <p>No procedure is currently in place for the management of fraud referrals to the DWP.</p>	Establish a procedure for the management of fraud referrals to the DWP.	<p>Revenues Manager (Capita)</p> <p>July 2016</p>	

1.7	<p>Does the council have an understanding on how resilient it is to the risk of fraud?</p>	<p>The councils understanding on how resilient it is to the risk of fraud is mainly based on the outcomes of the Fraud Risk Assessment.</p> <p>In addition the work of internal Audit can supplement this assessment as fraud is considered as part of all their system reviews, particularly those relating to Finance.</p> <p>It is noted that the council is working in an ever changing environment. This will mean that the council will need to continually review the control framework in place to mitigate the risk of fraud to ensure it remains robust.</p>	<p>Ensure there is an ongoing review of the internal control framework, to ensure the risk of fraud is minimised and that the framework remains robust.</p>	<p>Audit Manager</p> <p>On-going</p>	
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<b>2. PREVENT THE RISK OF FRAUD</b>					
2.1	Does the council use any data analytic tools for the purpose of detecting fraud?	There is limited use of data analytics to identify fraud. The exception being a full review of the accounts payable database.	As part of the agreement with Basingstoke & Deane to provide a fraud resource to assist in the management of fraud. The council will be able to enhance the use of data analytic tools for the purpose of detecting fraud.	Audit Manager  December 2016	
2.2	Can the council demonstrate that it has imbedded an anti-fraud culture?	There is an Anti-Fraud and Corruption Policy that clearly states the council's stance on fraud which is zero tolerance,  Fraud training was provided to all staff in 2014. However this would have missed any new starters.  Capita staff employed on the Hart contract receive online training on fraud annually.	Consider providing Fraud further Awareness Training to staff.  Raising awareness of fraud risk is one of the elements of fraud work that will be improved by using the agreement with Basingstoke and Deane.	Audit Manager  November 2016	

2.3	Are all staff and members of the public able to report suspected fraud to the council?	<p>There is a fraud hotline, details are provided on the Councils' website.</p> <p>The Anti-Fraud and Whistleblowing policies make it clear who you can report suspected fraud or corruption to.</p>			
2.4	Has the council put in place policies for both anti-fraud and Whistleblowing?	<p>Both policies are in place.</p> <p>Both policies will require a review in 2016.</p> <p>Anti-Fraud; March 16</p> <p>Whistleblowing: Oct 16</p> <p>It is felt that both policies would be in a category where they are reviewed every 2 years.</p>			
2.5	Is there high level support for counter fraud work?	<p>No issues identified that would indicate there is not support for counter fraud work.</p>			

2.6	How does the council ensure it is up to date with good anti-fraud practice?	Fraud updates received from National Anti-Fraud Network.  Member of Hants Fraud Group.  Training			
2.7	Does the council publicise its stance against fraud?	The council does publicise its stance via the two key policies relating to fraud.			
2.8	Is the internal control framework sufficient to prevent and detect fraud?	Given the number of identified frauds that are not Housing Benefit related is low, it is felt that the internal control framework is reasonable.  Key controls are reviewed annually by Internal Audit to ensure they work as expected.			

3. PURSUE					
3.1	Does the council have the appropriate level of specialist resource to investigate suspected fraud?	<p>There is no dedicated specialist resource for fraud investigations. Given the number of frauds that are identified in any one year a specialist resource could not be justified.</p> <p>It is recognised that part of Internal Audits role is to investigate fraud. It is also noted that a resource has also been recently put in place to support corporate fraud work.</p> <p>It is noted that there are discussions taking place with Basingstoke &amp; Deane regarding a fraud resource. This resource is suitably qualified.</p>	The agreement with Basingstoke and Deane will allow access to a specialist fraud resource will be available to the council. It is likely that this will commence in July or August 2016.	Audit Manager  July 2016	

3.2	Do officers that have a responsibility to investigate fraud have the appropriate authority to pursue their remit effectively?	No known issues that would prevent fraud prevention work.			
3.3	Does the council have the appropriate policies in place in terms of sanctions that are made against those that commit fraud?	Providing the fraudster has been identified, the Council does have an appropriate legal framework to recover any monies that are lost to a fraudster. This includes the Proceeds of Crime Act.			
3.4	Is training provided to those who are required to carry out fraud investigations as part of their role?	Fraud Training has been provided as part of Internal Audit role.  As previously stated a shared fraud resource with Basingstoke & Deane would be an enhancement.	The use of a specialist resource from Basingstoke and Deane should negate the need for the council to provide training.		
3.5	Does the council work with other agencies to ensure fraud investigations are carried out effectively?	The council works with the DWP regarding HB Fraud.			

		<p>Where required the council will also work with other public sector agencies to prevent and detect fraud.</p> <p>The council has some data sharing protocols in place, in particular the National Fraud Initiative.</p>			
3.6	Does the council ensure that whenever possible proceeds from fraud are recovered?	<p>There are options to recover overpaid HB.</p> <p>For other types of fraud. Recovery will be sought where possible.</p>			